



**(A Component Unit of the
City of Lansing, Michigan)**

Lansing, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2008**



REHMANN ROBSON

Certified Public Accountants

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Basic Financial Statements for the Year Ended June 30, 2008	
Statement of Net Assets	3
Statement of Revenues, Expenses and Changes in Net Assets	4
Statement of Cash Flows	5
Statement of Fiduciary Net Assets	6
Statement of Changes in Fiduciary Net Assets	7
Notes to Financial Statements	8-16
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17-18

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



INDEPENDENT AUDITORS' REPORT

November 21, 2008

The Honorable Mayor,
Members of the City Council, and
Members of the Board of Commissioners of the
Lansing Entertainment and Public Facilities Authority
Lansing, Michigan

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the **LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY** (the "Authority"), a **Component Unit of the City of Lansing, Michigan**, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Lansing Entertainment and Public Facilities Authority, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the GASB has determined is necessary to supplement, although not required to be, part of the basic financial statements.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Statement of Net Assets
Enterprise Funds
June 30, 2008

	Lansing Center	Oldsmobile Park	City Market	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 482,437	\$ 237,569	\$ 195,782	\$ 915,788
Restricted cash and cash equivalents	448,325	97,910	-	546,235
Accounts receivable, net	453,705	71,608	10,229	535,542
Due from other funds	149,628	-	-	149,628
Prepaid expenses	30,503	1,291	336	32,130
Inventory	66,315	-	167	66,482
Total current assets	<u>1,630,913</u>	<u>408,378</u>	<u>206,514</u>	<u>2,245,805</u>
Noncurrent assets:				
Capital assets, net	<u>107,823</u>	<u>9,083</u>	<u>2,700</u>	<u>119,606</u>
Total assets	<u>1,738,736</u>	<u>417,461</u>	<u>209,214</u>	<u>2,365,411</u>
Liabilities				
Accounts payable	424,287	213,691	11,432	649,410
Accrued liabilities	223,937	1,585	2,314	227,836
Due to other funds	-	144,900	4,728	149,628
Unearned revenue	670,728	-	955	671,683
Installment purchases payable, current portion	14,832	-	-	14,832
Total current liabilities	<u>1,333,784</u>	<u>360,176</u>	<u>19,429</u>	<u>1,713,389</u>
Noncurrent liabilities - installment purchases payable, net of current portion	<u>38,135</u>	<u>-</u>	<u>-</u>	<u>38,135</u>
Total liabilities	<u>1,371,919</u>	<u>360,176</u>	<u>19,429</u>	<u>1,751,524</u>
Net Assets				
Invested in capital assets, net of related debt	54,856	9,083	2,700	66,639
Unrestricted	<u>311,961</u>	<u>48,202</u>	<u>187,085</u>	<u>547,248</u>
Total net assets	<u><u>\$ 366,817</u></u>	<u><u>\$ 57,285</u></u>	<u><u>\$ 189,785</u></u>	<u><u>\$ 613,887</u></u>

The accompanying notes are an integral part of these financial statements.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

**Statement of Revenues, Expenses
and Changes in Net Assets
Enterprise Funds
For the Year Ended June 30, 2008**

	Lansing Center	Oldsmobile Park	City Market	Total
Operating revenues				
Building rental	\$ 892,150	\$ 16,847	\$ 53,413	\$ 962,410
Security	43,876	5,033	-	48,909
Food services	2,684,449	11,146	-	2,695,595
Equipment rental	559,693	1,235	-	560,928
Box office	14,478	(6,914)	-	7,564
Labor/service	200,808	21,713	-	222,521
Trade show utilities	161,254	-	-	161,254
Other	110,599	29,160	32,584	172,343
Total operating revenues	<u>4,667,307</u>	<u>78,220</u>	<u>85,997</u>	<u>4,831,524</u>
Operating expenses				
Personnel services	2,458,244	114,083	61,468	2,633,795
Food and beverage	1,621,383	-	-	1,621,383
Communications	27,686	1,808	2,753	32,247
Rents and leases	21,073	-	-	21,073
Professional services	224,695	15,948	1,398	242,041
Utilities	518,313	99,994	46,534	664,841
Marketing	54,212	7,075	7,571	68,858
Repairs and maintenance	110,973	70,664	5,741	187,378
Supplies and materials	115,084	2,718	3,870	121,672
Insurance	76,528	22,450	1,796	100,774
Events	66,293	625	-	66,918
Security	42,875	6,538	-	49,413
Depreciation	37,995	3,345	1,088	42,428
Other	126,614	29,965	6,713	163,292
Total operating expenses	<u>5,501,968</u>	<u>375,213</u>	<u>138,932</u>	<u>6,016,113</u>
Operating loss	<u>(834,661)</u>	<u>(296,993)</u>	<u>(52,935)</u>	<u>(1,184,589)</u>
Nonoperating revenue (expense)				
Interest income	13,173	-	-	13,173
Loss from Common Ground	(49,926)	-	-	(49,926)
Annual operating subsidy - City of Lansing	838,572	299,187	50,967	1,188,726
	114,337	-	-	114,337
Interest expense	(3,428)	-	-	(3,428)
Total nonoperating revenue	<u>912,728</u>	<u>299,187</u>	<u>50,967</u>	<u>1,262,882</u>
Change in net assets	78,067	2,194	(1,968)	78,293
Net assets, beginning of year	<u>288,750</u>	<u>55,091</u>	<u>191,753</u>	<u>535,594</u>
Net assets, end of year	<u>\$ 366,817</u>	<u>\$ 57,285</u>	<u>\$ 189,785</u>	<u>\$ 613,887</u>

The accompanying notes are an integral part of these financial statements.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2008

	Lansing Center	Oldsmobile Park	City Market	Total
Cash flows from operating activities				
Cash received from customers	\$ 4,672,152	\$ 105,443	\$ 88,354	\$ 4,865,949
Cash received from interfund services	-	17,498	71,642	89,140
Cash payments for goods and services	(2,800,389)	(222,175)	(70,694)	(3,093,258)
Cash payments to employees	(2,441,617)	(114,670)	(62,196)	(2,618,483)
Cash payments for interfund services	(86,066)	-	(3,074)	(89,140)
Net cash provided (used) by operating activities	<u>(655,920)</u>	<u>(213,904)</u>	<u>24,032</u>	<u>(845,792)</u>
Cash flows from noncapital financing activities				
Cash transfers from City and Common Ground	788,646	299,187	50,967	1,138,800
Cash transfers from Convention and Visitors Bureau	114,337	-	-	114,337
Net cash provided by noncapital financing	<u>902,983</u>	<u>299,187</u>	<u>50,967</u>	<u>1,253,137</u>
Cash flows from capital and related financing activities				
Payments for acquisition of capital assets	(68,009)	(2,085)	-	(70,094)
Payments on installment purchase agreements	(14,312)	-	-	(14,312)
Interest on installment purchase agreements	(3,428)	-	-	(3,428)
Net cash used for capital and related financing activities	<u>(85,749)</u>	<u>(2,085)</u>	<u>-</u>	<u>(87,834)</u>
Cash flows from investing activities				
Interest on cash and cash equivalents	<u>13,173</u>	<u>-</u>	<u>-</u>	<u>13,173</u>
Net increase in cash and cash equivalents	174,487	83,198	74,999	332,684
Cash and cash equivalents, beginning of year	<u>756,275</u>	<u>252,281</u>	<u>120,783</u>	<u>1,129,339</u>
Cash and cash equivalents, end of year	<u>\$ 930,762</u>	<u>\$ 335,479</u>	<u>\$ 195,782</u>	<u>\$ 1,462,023</u>
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	<u>\$ (834,661)</u>	<u>\$ (296,993)</u>	<u>\$ (52,935)</u>	<u>\$ (1,184,589)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	37,995	3,345	1,088	42,428
(Increase) decrease in accounts receivable	41,281	28,223	2,067	71,571
(Increase) decrease in due from other funds	(12,038)	2,386	71,642	61,990
(Increase) decrease in prepaid expenses	31,109	(79)	(23)	31,007
(Increase) decrease in inventory	39	-	(167)	(128)
Increase (decrease) in accounts payable	174,192	35,689	5,872	215,753
Increase (decrease) in accrued liabilities	16,627	(587)	(728)	15,312
Increase (decrease) in due to other funds	(74,028)	15,112	(3,074)	(61,990)
Increase (decrease) in unearned revenue	(36,436)	(1,000)	290	(37,146)
Total adjustments	<u>178,741</u>	<u>83,089</u>	<u>76,967</u>	<u>338,797</u>
Net cash provided (used) by operating activities	<u>\$ (655,920)</u>	<u>\$ (213,904)</u>	<u>\$ 24,032</u>	<u>\$ (845,792)</u>

The accompanying notes are an integral part of these financial statements.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Statement of Fiduciary Net Assets
June 30, 2008

	Deferred Compensation Trust Fund	Pension Trust Fund	Total
Assets			
Investments - mutual funds	<u>\$ 1,744,219</u>	<u>\$ 3,657,083</u>	<u>\$ 5,401,302</u>
Net Assets			
Held in trust for pension and other employee benefits	<u>\$ 1,744,219</u>	<u>\$ 3,657,083</u>	<u>\$ 5,401,302</u>

The accompanying notes are an integral part of these financial statements.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

	Deferred Compensation Trust Fund	Pension Trust Fund	Total
Additions			
Contributions			
Employer	\$ -	\$ 244,140	\$ 244,140
Employees	78,771	154,498	233,269
	<u>78,771</u>	<u>154,498</u>	<u>233,269</u>
Total contributions	<u>78,771</u>	<u>398,638</u>	<u>477,409</u>
Investment income:			
Decrease in fair value of investments	(160,514)	(305,797)	(466,311)
Interest revenue	42,734	86,906	129,640
Fees	(720)	(1,400)	(2,120)
	<u>(118,500)</u>	<u>(220,291)</u>	<u>(338,791)</u>
Net investment income	<u>(118,500)</u>	<u>(220,291)</u>	<u>(338,791)</u>
Total additions	(39,729)	178,347	138,618
Deductions			
Participant benefits	265,518	427,317	692,835
	<u>265,518</u>	<u>427,317</u>	<u>692,835</u>
Increase in net assets	(305,247)	(248,970)	(554,217)
Net assets held in trust for benefits, beginning of year	<u>2,049,466</u>	<u>3,906,053</u>	<u>5,955,519</u>
Net assets held in trust for benefits, end of year	<u>\$ 1,744,219</u>	<u>\$ 3,657,083</u>	<u>\$ 5,401,302</u>

The accompanying notes are an integral part of these financial statements.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY

(A Component Unit of the City of Lansing, Michigan)

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Lansing Entertainment and Public Facilities Authority (the “Authority” or “LEPFA”) was established under the charter of the City of Lansing in February, 1996, replacing the former Greater Lansing Convention/Exhibition Authority. LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and Oldsmobile Park under an agreement with the City of Lansing.

The Authority is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of the Authority, all assets and rights of the Authority shall revert to the City of Lansing. The Authority’s Board of Commissioners consists of nine members appointed by the Mayor of the City of Lansing and approved by the City Council, and three ex-officio members.

The Authority is a component unit of the City of Lansing.

B. Measurement focus, basis of accounting, and financial statement presentation

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority reports the Lansing Center, Oldsmobile Park and City Market Enterprise Funds as major funds in accordance with GASB Statement No. 34. Each fund accounts for the activities of its respective facility.

Additionally, the Authority reports the following fiduciary funds:

The *deferred compensation trust fund* accounts for the activities of the Authority’s deferred compensation plan.

The *pension trust fund* accounts for the activities of the Authority’s defined contribution pension plan.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY

(A Component Unit of the City of Lansing, Michigan)

Notes to the Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for facility rentals, sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, liabilities and equity

1. Deposits and investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

The Deferred Compensation and Pension Trust Funds are authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Notes to the Financial Statements

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

3. *Inventories and prepaid items*

Inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Restricted assets*

Under the terms of the Authority’s operating agreement with the City of Lansing, the Authority is required to restrict \$50,000 annually for capital improvements and/or replacements. Any such monies unexpended shall be carried forward to future years. For the year ended June 30, 2008, all such restricted monies were expended on capital improvements, leaving a zero balance in restricted assets for capital improvements at year end.

Under an amendment to the operating agreement with the City of Lansing, the Authority is also required to maintain an Event Development cash reserve fund to provide a source of monies from which to finance events at Oldsmobile Park. The fund was established by an initial contribution from the City and may be increased up to certain limits by the amount of any profits earned from such events. Restricted assets for event development amounted to \$97,910 at June 30, 2008.

The Authority’s Board of Commissioners has also established a cash reserve account to ensure reasonable liquidity for Lansing Center operations. The balance of this cash reserve as of June 30, 2008 was \$448,325 and is reported as restricted cash and cash equivalents in the statement of net assets. Generally, the reserve is intended to provide up to 60 days of operating cash (which would be approximately \$850,000 if fully funded). The account is adjusted annually for the prior year operating results and does not correlate with the Authority’s net assets or fund equity. By contrast, the Authority’s fund equity position as of June 30, 2008, which represents accumulated net income, was \$366,817 for the Lansing Center fund.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Notes to the Financial Statements

5. *Deferred compensation and defined contribution pension plan assets*

Deferred compensation and defined contribution pension plan assets are stated at fair value. In accordance with the provisions of GASB Statement No. 32, the deferred compensation plan assets (*see Note III.A.*) are presented in the accompanying financial statements.

6. *Capital assets*

Capital assets, which are limited to equipment, are stated at cost and depreciated using the straight line method over the estimated useful lives of the assets ranging from 3 to 10 years. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life of 3 years. Facilities managed by the Authority are owned by the City of Lansing and, as such, the carrying values of these properties are reflected in the City's financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 915,788
Restricted cash and cash equivalents	<u>546,235</u>
	<u>1,462,023</u>

Statement of Fiduciary Net Assets:

Investments	<u>5,401,302</u>
	<u>\$6,863,325</u>

The above amounts are reflected in the note disclosures as follows:

Deposits	\$1,436,028
Investments	5,401,302
Cash on hand	<u>25,995</u>
	<u>\$6,863,325</u>

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Notes to the Financial Statements

As of June 30, 2008, the fair value of the Authority's investments was as follows:

Investments – Deferred Compensation and Pension Trust Funds

	<u>Amount</u>	<u>Rating</u>
Money market funds - Allegiant	\$ 173,871	Unrated
Equity mutual funds – Allegiant	<u>5,227,431</u>	n/a
	<u>\$5,401,302</u>	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the Authority's investments at year end have maturity dates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, have been identified above for the Authority's investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year end, \$1,353,717 of the Authority's bank balance of \$1,453,717 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Authority's investment policy does not specifically address this risk, although the Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Notes to the Financial Statements

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Transactions with City of Lansing

For the year ended June 30, 2008, the City of Lansing provided annual operating subsidies to the Authority in the amount of \$1,188,726 for the Lansing Center, Oldsmobile Park, and the City Market.

C. Receivables

Receivables are composed entirely of amounts due from customers and the City of Lansing.

Accounts receivable as of June 30, 2008 were as follows:

Accounts receivable	\$ 472,703
Accounts receivable – City of Lansing	<u>62,839</u>
Total accounts receivable	<u>\$ 535,542</u>

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Notes to the Financial Statements

D. Capital assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Equipment	\$1,383,655	\$ 70,095	\$ 62,725	\$1,391,025
Less accumulated depreciation	<u>1,291,715</u>	<u>42,429</u>	<u>62,725</u>	<u>1,271,419</u>
Net capital assets	<u>\$ 91,940</u>	<u>\$ 27,666</u>	<u>\$ -</u>	<u>\$ 119,606</u>

E. Payables

Accounts payable is composed entirely of amounts due to vendors, except for \$100,140 payable to the City of Lansing.

F. Interfund receivables and payables

<u>Due to/from other funds</u>	<u>Receivable</u>	<u>Payable</u>
Lansing Center	\$ 149,628	\$ -
Oldsmobile Park	-	144,900
City Market	<u>-</u>	<u>4,728</u>
	<u>\$ 149,628</u>	<u>\$ 149,628</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Notes to the Financial Statements

G. Long-term debt

The Authority has entered into various long-term installment purchase agreements. The original amount of installment obligations issued in prior years for the items listed below was \$142,947. Installment purchase agreements outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2000 equipment purchases	5.91%	\$ 8,987
2002 equipment purchases	5.62%	24,237
2003 equipment purchases	5.50%	5,134
2004 equipment purchases	4.90%	<u>14,609</u>
		<u>\$ 52,967</u>

Changes in installment purchase agreements payable for the year ended June 30, 2008, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment purchase agreements	<u>\$ 67,279</u>	<u>\$ -</u>	<u>\$ 14,312</u>	<u>\$ 52,967</u>	<u>\$ 14,832</u>

Annual debt service requirements to maturity for installment purchase agreements were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 14,832	\$ 2,591
2010	14,092	1,745
2011	10,814	1,057
2012	7,548	479
2013	2,944	215
2014	<u>2,737</u>	<u>83</u>
Total	<u>\$ 52,967</u>	<u>\$ 6,170</u>

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
(A Component Unit of the City of Lansing, Michigan)

Notes to the Financial Statements

III. OTHER INFORMATION

A. Deferred compensation

The Authority has established for its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, through December 31, 2002 and in lieu of participation in the federal social security system, employees were required to contribute a minimum of 7% of their annual includable compensation as defined in the plan agreement. Effective January 1, 2003, any employee contributions to the plan became voluntary as the required employee contributions in lieu of social security participation were shifted to the defined contribution pension plan described below.

During the year ended June 30, 1999, the assets of the Authority's deferred compensation plan were transferred to a trust for the exclusive benefit of the participants and their beneficiaries. As management exercises significant control over the investment of plan assets, the Authority has followed the provisions of Statement No. 32 of the Governmental Accounting Standards Board and, accordingly, reports the assets on its financial statements. The value of the plan assets at June 30, 2008 was \$1,744,219 and employee contributions for the year then ended were \$78,771.

B. Defined contribution pension plan

The Authority has a defined contribution pension plan covering substantially all full-time employees who have completed 120 days of employment. The Authority contributes 12% of participating employees' annual compensation to the plan. Effective January 1, 2003, employees are required to contribute 7.5% of covered wages as defined in the plan; prior to that date, no employee contributions to this plan were required. Such current employee contributions are in lieu of federal social security participation. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Commissioners. Employee contributions for the year ended June 30, 2008 were \$154,498. Employer contributions for the year ended June 30, 2008 were \$244,140.

Both the deferred compensation and defined contribution pension plans are administered by the Authority.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 21, 2008

Honorable Mayor,
Members of the City Council, and
Members of the Board of Commissioners of
the Lansing Entertainment and Public Facilities Authority
Lansing, Michigan

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the ***LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY, a Component Unit of the City of Lansing, Michigan***, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lansing Entertainment and Public Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. Our report did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lansing Entertainment and Public Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, the Board, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



November 21, 2008

To the Board of Commissioners of the
Lansing Entertainment and Public Facilities Authority
Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Lansing Entertainment and Public Facilities Authority* (the "Authority") for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated May 27, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the *Authority*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of *Authority's* compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 2, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the *Authority* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 21, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *Lansing Entertainment and Public Facilities Authority* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned below the "Very truly yours," text.

Lansing Entertainment and Public Facilities Authority

Comments and Recommendations

For the Year Ended June 30, 2008

In planning and performing our audit of the financial statements of the Lansing Entertainment and Public Facilities Authority (the “Authority”) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. The deficiencies we noted that we consider to be significant deficiencies are described in which are described in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Significant Deficiencies

Internal Controls – Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the organization’s assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the organization’s unique circumstances.

Lansing Entertainment and Public Facilities Authority

Comments and Recommendations

For the Year Ended June 30, 2008

During the course of the audit we noted that:

- Maintenance of the receivable subsidiary ledger is not independent of general ledger maintenance.
- Billing is not independent of cash handling and accounts receivable bookkeeping.
- Persons preparing payroll are not restricted from access to other payroll data or cash.
- Handling of cash is not independent of accounts receivable bookkeeping.
- Check signing is not independent of the initiator of the preparer of checks, cash receipts, accounts payable, and cash bookkeeping.
- Bank accounts are not reconciled by individuals independent of cash receipts and disbursements functions.
- Recording and approval of credit adjustments and refunds is not independent of cash handling and other accounts receivable bookkeeping.
- Invoice processing and accounts payable are not segregated from the general ledger function.
- Account distributions are not recorded by the operating department.

As is the case with many organizations of similar size, the Lansing Entertainment and Public Facilities Authority lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Essentially, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of an organization's internal controls carries with it a greater risk of fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Lansing Entertainment and Public Facilities Authority

Comments and Recommendations

For the Year Ended June 30, 2008

Preparation of Financial Statements in Accordance with GAAP

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the Authority has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, primarily, on its external auditors, who cannot by definition be considered a part of the Authority's internal controls.

This condition is caused by the Authority's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors rather than to incur the time and expense of obtaining the additional training and expertise required for the Authority to perform this task internally. The Authority does, however, carefully review the draft financial statements and reporting package prior to approving them for issuance and accepting responsibility for their content and presentation.

As a result of this condition, the Authority lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

* * * * *